The Capital Group of PKN ORLEN S.A. SA-QSr I/2004 PLN '000

Translation of a document originally issued in Polish

I. INFORMATION ON PRINCIPLES OF PREPARATION OF THE CONSOLIDATED QUATERLY REPORT FOR 1 Q 2004

1. Format and general rules of preparation of the consolidated and unconsolidated balance sheet, consolidated and unconsolidated income statement, statement of changes in consolidated and unconsolidated shareholders' equity and consolidated and unconsolidated cash flow statement

The consolidated and unconsolidated condensed financial statements presented in this consolidated quarterly report were prepared in compliance with the Polish Accounting Standards defined by the amended Accounting Act of 29 September 1994 (Journal of Law No 76, pos. 694, 2002 with further amendments) and the Decree of the Council of Ministers of 16 October 2001 on type, form and scope of current and periodic information and dates of its publication by issuers of securities allowed to be traded publicly (Journal of Law No 139, pos. 1569 with further changes) and cover the period from 1 January 2004 to 31 March 2004 and comparable period from 1 January 2003 to 31 March 2003.

The accounting rules applied by PKN ORLEN S.A. ("the Company", "Dominant Company", "PKN ORLEN") and the Capital Group of Polski Koncern Naftowy ORLEN S.A. ("the Capital Group") in 1 Q 2004, with exception for the change described in point 2 below, were presented in published annual reports: unconsolidated and consolidated for the year 2003.

2. Accounting policies in the Capital Group of Polski Koncern Naftowy ORLEN

In 1 Q 2004 the Company and the Capital Group did not adopt any significant changes in applied accounting policies in comparison to policies applied by the Company and the Capital Group in year 2003 with exception for change in translation of balance items in foreign currencies due to change in Polish Accounting Standards. Starting from 1 January 2004 assets and liabilities as at balance date are translated using the same average exchange rate set for the given currency by the National Bank of Poland for this date. As a consequence of those changes comparable data presented in these financial statements were restated.

	Net profit	Shareholders' equity	
	period from 1 January 2003 to 31 March 2003	31 December 2003	31 March 2003
As per published financial statements	366,712	9,129,889	8,313,571
Difference	14,922	26,097	28,805
Comparable data (restated)	381,634	9,155,986	8,342,376

3. Method of preparation of the consolidated financial statements

For preparation of the consolidated and unconsolidated balance sheet, consolidated and unconsolidated income statement, statement of changes in consolidated and unconsolidated shareholders' equity and consolidated and unconsolidated cash flow statement, the same rules were applied as for preparation of consolidated and unconsolidated financial statements in year 2003.

The condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated results of operation, balance sheets and cash flows for each period presented.

4. Principles of calculation of the selected financial data denominated in EURO

Selected financial data has been recalculated to EURO according to the following principles:

- balance sheet items - the average rate published as at 31 March 2004 - i.e. 4.7455 zloty/ EURO,
- income statement and cash flow items - exchange rate calculated as a simple average of National Bank of Poland average rates for the last day of each month of the period from 1 January 2004 to 31 March 2004 – i.e. 4.7938 zloty/ EURO.

The Capital Group of PKN ORLEN S.A. SAQSr I/2004 PLN ‘000

II. INFORMATION ON CHANGES IN PROVISIONS AND FIXED ASSETS IMPAIRMENT LOSSES - CONSOLIDATED DATA

1. Impairment of assets

1.1. Impairment of tangible fixed assets

I Q 2004	
Balance as at 1.01.2004	89,823
Increases during the period 1.01.2004 – 31.03.2004	13,219
Decreases during the period 1.01.2004 – 31.03.2004	(4,769)
Balance as at 31.03.2004	98,273

1.2. Impairment of construction in progress

I Q 2004	
Balance as at 1.01.2004	37,636
Increases during the period 1.01.2004 – 31.03.2004	-
Decreases during the period 1.01.2004 – 31.03.2004	(3)
Balance as at 31.03.2004	37,633

1.3. Adjustments in the valuation of financial fixed assets and differences in the valuation of contribution in-kind

1.3.1. Impairment of financial fixed assets

I Q 2004	
Balance as at 1.01.2004	71,389
Increases during the period 1.01.2004 – 31.03.2004	-
Decreases during the period 1.01.2004 – 31.03.2004	(215)
Balance as at 31.03.2004	71,174

1.3.2. Difference in the valuation of contribution in-kind related to financial long-term assets

I Q 2004	
Balance as at 1.01.2004	3,548
Increases during the period 1.01.2004 – 31.03.2004	1
Decreases during the period 1.01.2004 – 31.03.2004	(12)
Balance as at 31.03.2004	3,537

1.4. Doubtful debt provision

I Q 2004	
Balance as at 1.01.2004	316,863
Increases during the period 1.01.2004 – 31.03.2004	9,162
Decreases during the period 1.01.2004 – 31.03.2004	(13,904)
Balance as at 31.03.2004	312,121

1.5. Impairment of inventories

In 1 Q 2004 the value of impairment of inventories of the Group amounts to PLN 2,225 thousand.

The Capital Group of PKN ORLEN S.A. SAQSr I/2004 PLN '000

2. Provisions

2.1. Provision for deferred tax

I Q 2004	
Balance as at 1.01.2004*	212,323
Increases during the period 1.01.2004 – 31.03.2004	58,869
Decreases during the period 1.01.2004 – 31.03.2004	(50,028)
Balance as at 31.03.2004	221,164

* including PLN 6,121 thousand of opening balance adjustment relating from change in accounting policies

2.2. Provision for jubilee and retirement bonuses

I Q 2004	
Balance as at 1.01.2004	158,588
Increases during the period 1.01.2004 – 31.03.2004	3,507
Decreases during the period 1.01.2004 – 31.03.2004	(3,838)
Balance as at 31.03.2004	158,257

2.3. Other provisions

	Environmental provision	Provision for business risk	Other provisions
I Q 2004			
Balance as at 1.01.2004	406,792	21,812	29,200
Increases during the period 1.01.2004 – 31.03.2004	14	-	181
Decreases during the period 1.01.2004 – 31.03.2004	(947)	(153)	(348)
Balance as at 31.03.2004	405,859	21,659	29,033

3. Goodwill from consolidation / Negative goodwill from consolidation

3.1. Goodwill from consolidation

I Q 2004	
Balance as at 1.01.2004	20,856
Increases during the period 1.01.2004 – 31.03.2004	-
Decreases during the period 1.01.2004 – 31.03.2004	(1,473)
Balance as at 31.03.2004	19,383

3.2. Negative goodwill from consolidation

I Q 2004	
Balance as at 1.01.2004	301,369
Increases during the period 1.01.2004 – 31.03.2004	455
Decreases during the period 1.01.2004 – 31.03.2004	(7,556)
Balance as at 31.03.2004	294,268

III. DESCRIPTION OF CAPITAL GROUP OPERATIONS IN I Q 2004 AND DETAILS OF FACTORS AND EVENTS HAVING A MATERIAL INFLUENCE ON THE FINANCIAL RESULT

At the end of 1Q 2004 PKN ORLEN S.A. owned directly or indirectly shares in following entities, which either are (directly or indirectly) controlled (jointly controlled) by PKN ORLEN or PKN ORLEN has (directly or indirectly) significant influence:

- 92 subsidiaries,
- 2 companies jointly controlled,
- 24 associates.

In comparison to the end of 1Q 2003 there was a fall in the total number of subsidiaries, joint ventures and associates from 150 to 118. In 1Q 2004 there were 81 entities consolidated, whereas in 1Q 2003 – 90.

The most important factors having material influence on operating results in 1Q 2004 in comparison to 1Q 2003 are as follows:

- increase of refining margin (“crack”) on quotations for gasoline from 82.07 to 101.66 USD/ton (by 23.9%),
- increase in average price of Brent crude oil quotations from 31.52 to 32.05 USD/bbl (by 1.7%),
- increase in discount of Ural crude oil in relation to Brent crude oil quotations from /-2.08/ USD/bbl to /-2.95/ USD/bbl (by 41.8%),
- increase in sales volume of gasoline by 19.0%,
- increase in sales volume of Diesel by 22.9%,
- increase in sales volume of Ekoterm by 10.1%,
- increase of EURO average exchange rate from 4.19 to 4.78 PLN/EURO (by 14.1%),
- decrease in USD average exchange rate from 3.90 to 3.82 PLN/USD (by 2.1%),
- decrease of refining margin (“crack”) on quotations for Diesel from 88.22 to 67.86 USD/ton (by 23.1%) and for Ekoterm from 63.23 to 41.69 USD/ton (by 34.1%),
- decrease in volume of LPG retail sales by 5.4%,
- decrease in sales volume of petrochemical products by 3.6%.

In 1Q 2004 the Capital Group retail sales and wholesales of motor fuels (gasoline, Diesel, LPG, Jet A-1) and light heating oil (Ekoterm) amounted to 2,307,628 tons and was higher than sales realised in the corresponding period of the previous year by 338,382 tons (by 17.2%).

The total sales of all products (refinery, chemical and other) in 1Q 2004 amounted to 3,305,816 tons and was higher than in 1Q of previous year by 282,603 tons (by 9.3%).

The retail sales of motor fuels (gasoline, Diesel, LPG) in 1Q 2004 amounted to 751,579 tons and was higher than sales in the corresponding period of previous year by 119,330 tons (by 18.9%),. Such a significant increase results from consolidation of the business activity in Germany (in 2003 consolidated only from March 2003).

Sales trends of main products are presented in the tables below:

Sales volume of light products - the Capital Group of PKN ORLEN	1Q 2003		1Q 2004		Dynamics (%) 1 Quarter 2004/ 1 Quarter 2003
Wholesale of main light products, including:		**1,280,035**		**1,511,496**	**118.1**
- gasoline (tons)		327,925		393,614	120.0
- Diesel (tons)		466,341		580,204	124.4
- Ekoterm (tons)		435,463		484,182	111.2
Retail sales of motor fuels, including:	**813,202**	**632,249**	**966,252**	**751,579**	**118.9**
- gasoline (thousand litres) / (tons)	490,808	370,560	579,609	437,605	118.1
- Diesel (thousand litres) / (tons)	284,465	240,373	341,627	288,675	120.1
- LPG (thousand litres) / (tons)	37,929	21,316	45,016	25,299	118.7
Total sales of fuels (tons)		**1,969,246**		**2,307,628**	**117.2**
- including motor fuels (tons)		1,529,154		1,823,264	119.2

Lower level of margins on quotations for Diesel and Ekoterm and effects of unexpected events as described below (effect of contribution in kind of the organised part of the enterprise to Basell Orlen Polyolefins Sp. z o.o.), resulted in a decrease in operating profit both of the Dominant Company and of the Capital Group in comparison to the corresponding period of the previous year.

The results of the Dominant Company compared with the Capital Group were as follows:

in PLN thousand

Items	1Q 2003		PKN’s share in the Group	1Q 2004		PKN’s share in the Group
	Group	PKN	(%)	Group	PKN	(%)
Crude oil processing (‘000 tons)	3,013	2,870	95.3	2,920	2 796	95.8
Net sales revenue	6,980,240	5,669,010	81.2	8,637,436	6,009,387	69.6
Profit on sales	521,692	472,783	90.6	503,625	472,068	93.7
Operating profit	598,692	655,781	109.5	513,520	464,875	90.5
Profit before taxation	528,328	586,812	111.1	487,258	437,702	89.8
Net profit	381,634	421,065	110.3	381,767	344,641	90.3

During 1Q 2004 the companies of the Capital Group processed 2,920 thousand tons of crude oil. The achieved level of processing was lower by 3.1% than in the comparable period of the previous year.

In 1Q 2004 profit on sales of the Capital Group reached the level of PLN 503,625 thousand and was lower by 3.5% than the result for 1Q 2003.While applying LIFO method, estimated profit on sales in 1Q 2004 amounted to PLN 391 million comparing to PLN 317 million in 1Q 2003.

In 1Q 2004 net profit of the Capital Group reached the level of PLN 381,767 and remained on comparable level to the result for 1Q 2003. While applying LIFO method, estimated net profit in 1Q 2004 amounted to PLN 290 million comparing to PLN 232 million in 1Q 2003.

In 1Q 2004 the share in the net profit of the Dominant Company in the net profit of the Capital Group decreased from 110.3% to 90.3% in comparison to 1Q 2003. Such significant fall results from presenting contribution in kind of the organised part of the enterprise to Basell Orlen Polyolefins Polska Sp. z o.o in the result of 1Q 2003.

In the financial data of the Dominant Company the net profit resulting from the difference between the book value of the contributed assets and liabilities and fair value of shares acquired amounted to PLN 164 million. In consolidated results of the Capital Group 50% of this amount were recognised (in proportion to shares owned by

Basell Europe Holdings B.V. in capital of Basell Orlen Polyolefins Polska Sp. z o.o.) – i.e. PLN 82 million. In consolidated financial statements investment in Basell Orlen Polyolefins is presented under equity method.

Net profit of the Capital Group for 1Q 2004 was also influenced by presentation in the result the dividend paid by Polkomtel, amounting to PLN 68 million comparing to PLN 47 million in comparable period of the previous year.

Financial data with segment information of the Capital Group is presented below:

in PLN million

Items	1Q 2003				1Q 2004			
	Refining	Chemicals	Other operations	Total	Refining	Chemicals	Other operations	Total
Segment result	494	201	16	711	411	202	35	648
Unallocated corporate income				10				1
Unallocated corporate expense				(122)				(135)
Profit from operations				599				514

In 1Q 2004 segments' operating profit decreased by 14.2% in comparison to 1Q 2003. This was mainly caused by decrease of profit in refining segment by 16.8% (lower margins on quotations for Diesel and Ekoterm accompanied with gross loss accounted in Germany). In 1Q 2003 the difference from valuation of contribution in kind to Basell Orlen Polyolefins Polska Sp. z o.o was recognized in result of chemical segment in the amount of PLN 112 million (as stated above). After eliminating this transaction from the result of the year 2003, the result of chemical segment in 1Q 2004 was higher by 127% in comparison to 1Q 2003. This increase was caused by favourable petrochemicals' market conditions.

Under Bonds Issuance Program in 1Q 2004 the Dominant Company completed 4 issuances of total value PLN 222 million. Bonds of total value amounting to PLN 100 million were acquired by companies from the Capital Group (including PLN 10 million acquired by companies from the Capital Group consolidated under full method):

issuance 1. PLN 13 m (BH),
issuance 2. PLN 50 m (BRE),
issuance 3. PLN 50 m (BH),
issuance 4. PLN 109 m (BH).

IV. UNUSUAL ITEMS AND EVENTS HAVING A MATERIAL INFLUENCE ON THE FINANCIAL RESULT

In the 3 month period ended 31 March 2004 there were no unusual items affecting the amounts presented in these financial statements.

The Capital Group of PKN ORLEN S.A. SAQSr I/2004 PLN '000

V. SEGMENT DATA

	Refining and Marketing Segment for 3 month period ended		Chemical Segment for 3 month period ended		Other operations for 3 month period ended		Eliminations for 3 month period ended		Total for 3 month period ended	
	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003
Revenues										
External sales	7,496,990	5,962,662	958,581	888,367	181,865	129,211			8,637,436	6,980,240
Inter-segment sales	706,754	925,317	316,676	375,020	222,223	273,272	(1,245,653)	(1,573,609)	-	-
Total revenue	**8,203,744**	**6,887,979**	**1,275,257**	**1,263,387**	**404,088**	**402,483**	**(1,245,653)**	**(1,573,609)**	**8,637,436**	**6,980,240**
Costs	**(7,807,041)**	**(6,376,373)**	**(1,074,896)**	**(1,170,880)**	**(367,519)**	**(375,251)**	**1,245,460**	**1,574,266**	**(8,003,996)**	**(6,348,238)**
Other operating income	28,244	44,499	3,967	119,304	6,993	3,683			39,204	167,486
Other operating cost	(13,411)	(62,547)	(2,606)	(11,246)	(8,850)	(14,547)			(24,867)	(88,340)
Result										
Segment result	**411,536**	**493,558**	**201,722**	**200,565**	**34,712**	**16,368**	**(193)**	**657**	**647,777**	**711,148**
Unallocated corporate income									888	10,139
Unallocated corporate expenses									(135,145)	(122,595)
Profit from operations									**513,520**	**598,692**
Financial income									92,947	76,217
Financial expenses									(125,373)	(153,620)
Loss on disposal of all or part of shares in subordinated entities									-	-
Gross profit									**481,094**	**521,289**
Extraordinary gains									114	101
Extraordinary losses									(33)	(100)
Write-off of goodwill from consolidation	(1,187)	(1,149)	-	-	(286)	(209)	-	-	(1,473)	(1,358)
Write off of negative goodwill from consolidation	1,481	2,332	6,060	6,060	15	4	-	-	7,556	8,396
Profit before taxation									**487,258**	**528,328**

The Capital Group of PKN ORLEN S.A. SAQSr I/2004 PLN '000

	Refining and Marketing Segment for 3 month period ended		Chemical Segment for 3 month period ended		Other operations for 3 month period ended		Eliminations for 3 month period ended		Total for 3 month period ended	
	31 March 2004	**31 March 2003**	**31 March 2004**	**31 March 2003**	**31 March 2004**	**31 March 2003**	**31 March 2004**	**31 March 2003**	**31 March 2004**	**31 March 2003**
Income taxes									(106,837)	(153,322)
Other obligatory charges on profit (increase of loss)									-	-
Share in profit (losses) of subordinated entities accounted for using equity method	64	(354)	11,926	9,399	6,581	3,880	-	-	18,571	12,925
Minority interests									(17,225)	(6,297)
Net profit									**381,767**	**381,634**

The Capital Group of PKN ORLEN S.A. SAQSr I/2004 PLN ‘000

	Refining and Marketing Segment for 3 month period ended		Chemical Segment for 3 month period ended		Other operations for 3 month period ended		Total for 3 month period ended	
	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003
Property, plant, equipment and intangible assets expenditures	94,629	127,141	147,005	61,476	13,957	9,381	255,591	197,998
Property, plant, equipment and intangible assets expenditures unallocated to segments							3,771	5,718
Total property, plant, equipment and intangible assets expenditure							**259,362**	**203,716**
Segment depreciation	197,700	178,500	43,734	49,813	35,750	41,497	277,184	269,810
Unallocated assets depreciation							8,822	8,378
Total depreciation							**286,006**	**278,188**
Non-cash expenses other than depreciation	9,955	63,873	624	5,896	7,793	12,030	**18,372**	**81,799**

Geographical segments

As the result of long term investments in Germany, beginning from 1 March 2003 the Group operates in Poland and Germany. The following table shows the distribution of the Company's consolidated sales by geographical market segmental reporting for business segments for 3 month periods ended 31 March 2004 and 31 March 2003.

	Refining and Marketing Segment for 3 month period ended		Chemicals Segment for 3 month period ended		Other operations for 3 month period ended		Total for 3 month period ended	
	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003	31 March 2004	31 March 2003
Export Sales	197,882	153,329	221,188	230,024	7,501	1,686	426,571	385,039
Domestic sales	5,371,558	5,166,416	737,393	658,343	174,364	127,525	6,283,315	5,952,284
Sales in Germany	1,927,550	642,917	-	-	-	-	1,927,550	642,917
Total external revenue	**7,496,990**	**5,962,622**	**958,581**	**888,367**	**181,865**	**129,211**	**8,637,436**	**6,980,240**

VI. MOST IMPORTANT EVENTS FOR THE PERIOD FROM 1 JANUARY 2004 TO THE DAY OF PREPARATION OF THIS REPORT EARLIER REPORTED IN THE CURRENT REPORTS

1. The Management Board of PKN ORLEN (“Issuer”) announced that on 31 December 2003 PKN ORLEN signed yearly contracts:
   1. with BP Polska Spolka z o.o. The subject of the agreement is sales of gasoline and diesel fuel to the company BP Polska Sp. z o.o. in 2004. The estimated value of the contract amounts to PLN 3,342,000 thousand (gross).
   2. with SHELL Polska Spolka z o.o. The subject of the agreement is sales of gasoline and diesel fuel to the company SHELL Polska Sp. z o.o. in 2004. The estimated value of the contract amounts to PLN 1,920,000 thousand (gross).

   The above-mentioned agreements are „significant agreements” as defined in the Ordinance of the Council of Ministers, of October 16, 2002, regarding the current and periodic information to be disclosed by issuers of securities as the total value of particular agreements exceeds 10% of Issuer’s equity.

2. The Management Board of PKN ORLEN announced, that on 7 January 2004 PKN ORLEN and ConocoPhillips Central and Eastern Europe Holdings B.V. with its registered office in Rotterdam, the Netherlands (“ConocoPhillips”) signed an agreement whereby they agreed the intention to co-operate in the privatisation process of Unipetrol a.s., a company operating in the Czech oil sector (“Unipetrol”). The agreement sets out preliminary terms of the cooperation of the parties, outlines the proposed ultimate shareholding of the parties in some of the companies of Unipetrol Group and the potential terms of the acquisition by the parties of some assets of Unipetrol Group, in the event of the PKN ORLEN successful participation in the Unipetrol privatisation. The agreement represents an early stage in the discussions between ConocoPhillips and PKN ORLEN and does not constitute a legally binding obligation of any party to enter into any future agreement.

3. On 9 January 2004 the Management Board of PKN ORLEN announced, that PKN ORLEN (I) was informed that on 6 January 2004, Basell Orlen Polyolefins Sp. z o.o. with its registered office in Plock (“JV Company”) - a joint-venture company of PKN ORLEN and Basell Europe Holdings B.V. with its registered office in Haarlemmermeer, the Netherlands („BEH”) - executed an advisory services agreement (“Advisory Services Agreement”) between PKN ORLEN, the JV Company and BEH; and (II) PKN ORLEN entered into the agreement on construction and co-financing of infrastructure facilities with the JV Company („OSBL Agreement”).

4. The Management Board of PKN ORLEN announced, that on 12 January, 2004 PKN ORLEN submitted an indicative offer (the “Offer”) for the acquisition of 62.99% of the share capital of UNIPETROL, a.s., a company operating in the Czech oil sector (“UNIPETROL”), and the purchase of the receivables of Ceska Konsolidacni Agentura (“CKA”) towards certain entities directly or indirectly owned by UNIPETROL, as well as for the potential purchase of 9.76% of the share capital of SPOLANA, a.s., currently owned by CKA (collectively the “CKA Assets”). PKN ORLEN proposed the initial price in the Offer based on the review of the limited information and data received at this stage. PKN ORLEN expects that in the next phase of the above-mentioned project, it will have the opportunity to carry out legal, financial, environmental and technical due diligence which would allow it to properly assess the value of UNIPETROL and other rights and obligations related to privatisation process. The price in the final offer for the acquisition of UNIPETROL shares and CKA Assets may be, therefore, appropriately adjusted. The Offer is part of PKN ORLEN’s strategy to be on the forefront of consolidation process in Central European downstream. The acquisition of UNIPETROL is one of the next significant steps in PKN’s strategy, as it represents a perfect opportunity for PKN ORLEN to: (I) to expand its geographic presence, (II) enter the attractive Czech market and (III) strengthen its position in Southern Poland. PKN ORLEN is considered as long-term strategic investor and regional consolidator of the most important assets of UNIPETROL, while PKN ORLEN signed an agreement on cooperation with AGROFERT HOLDING, a.s. to procure the sale of some of Unipetrol’s assets (not considered as core business of PKN ORLEN). Moreover, PKN ORLEN informed in current report dated 8 January 2004, that it signed an agreement with ConocoPhillips whereby they agreed the intention to co-operate in the privatisation process of Unipetrol a.s.

5. On 27 January the Management Board of PKN ORLEN announced, that it issued parent company guarantee to Shell Deutschland Oil GmbH – to secure the liabilities of ORLEN Deutschland GmbH (PKN ORLEN's fuel subsidiary in Germany) arising from ORLEN Deutschland's fuel trading operations – amounting to EUR 40,000 thousand. The guarantee is valid till 31 January 2005. PKN ORLEN holds 100% stake in ORLEN Deutschland GmbH. On 10 February 2004 the Management Board of PKN ORLEN informed that it provided its subsidiary – PKN ORLEN Deutschland GmbH with a corporate guarantee in the amount of EUR 20m. The guarantee is valid till 31 January 2005.

6. The Management Board of the Company announced, that it provided on 19 February 2004 with a corporate guarantee following companies: HGM Roland Mineralöl Handel GmbH, Holborn European Marketing Company Ltd., Louis Dreyfus & Cie Mineralöl GmbH, Mabanaft Deutschland GmbH & Co. KG, Deutsche BP Aktiengesellschaft totalling to EUR 22m and USD 40m and guaranties in form of guarantee letters to the banks: Bayerische-Hypo und Vereinsbank AG, Dresdner Bank AG, Commerzbank AG totalling to EUR 15m in order to secure the execution of trade payables of its German subsidiary ORLEN Deutschland GmbH resulting from its activities. The issued warranties and guaranties will replace current securities provided by PKN ORLEN on 29 July 2003.

7. On 1 March 2004 the Polish State Treasury, following the resignation of Jacek Bartkiewicz from his position as a member of the Supervisory Board of PKN ORLEN, appointed Grzegorz Mroczkowski to replace him. Following, on 2 April 2004 the Polish State Treasury appointed Maciej Kruk as a member of the Supervisory Board of PKN ORLEN, to replace Grzegorz Mroczkowski. On 8 April 2004 the Polish State Treasury appointed Janusz Zielinski as a member of the Supervisory Board of PKN ORLEN, to replace Maciej Kruk.

8. On 8 April 2004 the Extraordinary Shareholders Meeting of PKN ORLEN dismissed Maciej Gierej, Edward Grzywa, Andrzej Kratiuk and Orest Nazaruk from the Supervisory Board, and simultaneously Jacek Walczykowski, Andrzej Wieczorkiewicz, Andrzej Studzinski and Marian Czakanski were appointed to the Supervisory Board.

9. On 16 April 2004 the Management Board of PKN ORLEN informed that it has withdrawn from submitting a binding offer to purchase shares of SNP Petrom S.A. PKN ORLEN is currently involved in a number of M&A processes in the oil and gas sector in Central Europe. PKN ORLEN had requested twice the Romanian Government to extend the deadline of the submission of the binding offers due to the need to conduct further, in-depth analysis, with respect to the impact of these processes on PKN ORLEN's participation in the privatisation of SNP Petrom. However, the Romanian Government decided not to extend the current deadline of 15 April 2004.

10. On 21 April 2004 the Management Board of PKN ORLEN announced that a preliminary contract was concluded for the sale of all 9,600 shares in Flexpol Sp. z o.o. ("Flexpol"), with its registered office in Plock, representing 40% of the initial capital of Flexpol. The book value of the shares is PLN 4.8m. The sale price is PLN 7.2m. There are the following conditions to be fulfilled before the promissory contract will be concluded: former sale by PKN ORLEN to the investor of both the devices rented by Flexpol from PKN ORLEN and the property partially rented by Flexpol from PKN ORLEN. The above mentioned sale requires the approval of the General Shareholders' Meeting of the company. UOKiK's (the Polish Office for Protection of Competition and Consumers) assent for the investor to buy the shares. It is estimated that from the sale of the shares and the repurchase of property (Flexpol's devices and real estate) by the investor, PKN ORLEN will record a gross profit of around PLN 16m. It is also assumed that Flexpol will pay its previous shareholders a dividend amounting to PLN 3m for the year 2003 (i.e. for PKN ORLEN the amount of PLN 1.2m).

11. On 22 April 2004 the Supervisory Board of PKN ORLEN appointed Krzysztof Kluzek to the position of the member of the Management Board. Simultaneously he resigned from the position of the member of the Supervisory Board of PKN ORLEN.

12. On 23 April 2004 the Management Board informed that PKN ORLEN submitted an offer (the "Offer") for the acquisition of 62.99% of the share capital of UNIPETROL, a.s., a company operating in the Czech oil sector ("UNIPETROL"), and the purchase of the receivables of Ceska Konsolidacni Agentura ("CKA") towards certain entities directly or indirectly owned by UNIPETROL, as well as for the purchase of 9.76% of the share capital of Spolana, a.s., currently being held by CKA (collectively the "CKA Assets").

13. On 26 April 2004 the Management Board of PKN ORLEN informed that on 19 April 2004 a District Court in Gdansk (XII Economic Department of National Court Register) registered changes in articles of association in CPN Marine Service Sp. z o.o. with its registered office in Gdansk – an initial capital increase and change of company's main areas of activities. The initial capital of CPN Marine was increased from the level of PLN 50,000 to the level of PLN 1,000,000 – that is by 950,000, through issuance of 1,900 shares with par value of PLN 500,000 each. The capital was increased through cash contribution from PKN ORLEN. The District Court also registered the new name of the company - Centrum Komercjalizacji Technologii Sp. z o.o. PKN ORLEN owns 100 per cent of the total shares in Centrum Komercjalizacji Technologii Sp. z o.o. The company specialises in economic activities and management consulting.

14. On 29 April 2004 Polski Koncern Naftowy ORLEN S.A. received a letter from WestLB a financial advisor to Czech National Property Found ("NPF") and a state agency Ceska Konsolidacni Agentura ("CKA"), which stated that the Czech Government selected PKN ORLEN as the successful bidder in the auction for the 62.99% stake in Czech downstream oil and petrochemicals group, Unipetrol a.s. ("Unipetrol") held by the NPF. Therefore PKN ORLEN will also acquire associated receivables toward some of the Unipetrol Group companies and 9.76% stake in Unipetrol's producing subsidiary, Spolana a.s. ("Spolana"), held by CKA. PKN ORLEN agreed to pay approx. CZK 11.3 billion for the 62.99% stake in Unipetrol, CZK 1.0 million for CKA's 9.76% stake in Spolana and approx. CZK 1.7 billion for CKA's receivables with a total nominal value of approx. CZK 3.1 billion and EUR 9.5 million, and USD 4.9 million, as of April 1, 2004. Following the acquisition of the NPF's stake in Unipetrol and in accordance with Czech law, PKN ORLEN will launch a mandatory tender offer to acquire the interests of minority shareholders in Unipetrol and its listed subsidiaries. PKN ORLEN has agreed on the basis of the agreements with ConocoPhillips Central and Eastern Europe Holdings B.V., one of the major oil and gas worldwide companies ("ConocoPhillips") and Agrofert Holding, a.s., the second largest chemicals group in the Czech Republic ("Agrofert"), to procure as a majority shareholder in Unipetrol the sale by Unipetrol of some of Unipetrol's assets to ConocoPhillips and to Agrofert, after successful completion of the privatisation process. A large portion of the funds for the financing of the above transaction is already provided in the form of the currently available credit facilities. The reminder will be arranged for within the time periods indicated in the payment schedules relating to the transaction. Management believes that completion of the transaction should not result in any violation of any covenants under the syndicated credit facility agreement. Some banks have already offered PKN ORLEN their assistance in financing the transaction in question. PKN ORLEN will provide investors with more details on this transaction upon signing of Share Sale and Purchase Agreement with NPF. The transaction is expected to close by the end of the third quarter of 2004, once necessary Czech regulatory approvals have been granted.

15. On 30 April 2004 the Management Board made public the joint statement of MOL and PKN ORLEN on their talks advancement. On 20 November 2003, MOL and PKN ORLEN signed a Memorandum of Understanding initiating exclusive negotiations to evaluate the potential merits of closer cooperation between the two companies. The Memorandum of Understanding provided for an initial period of exclusive consultation between MOL and PKN ORLEN in respect of the potential co-operation. The comprehensive analysis conducted jointly during the recent months has clearly indicated to both companies the strong business logic and potential for cooperation. The parties have made substantial progress on the creation of an agreed, detailed cooperation framework, but further discussions are still required to reach a binding agreement and to secure approvals from all relevant governmental and corporate bodies. Cooperation between the parties, which has started on the basis of the Memorandum of Understanding, will be continued upon the progress made so far.

The Capital Group of PKN ORLEN S.A. SAQSr I/2004 PLN ‘000

VII. SHAREHOLDERS POSSESSING DIRECTLY OR INDIRECTLY THROUGH DEPENDENT ENTITIES AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS AS AT DATE OF ISSUE OF QUARTERLY REPORT

Shareholder	Share in number of votes at the GM as at the day of previous quarterly report publication, in %*	Number of shares as at the day of previous quarterly report publication*	Change (%) during the period 16.02.2004-30.04.2004	Share in number of votes in % at the GM as at the day of issue of this report**	Number of shares as at the day of issue of this report**
Nafta Polska S.A.	17.32%	74,076,299	-	17.32%	74,076,299
State Treasury	10.20%	43,633,897	-	10.20%	43,633,897
The Bank of New York (GDR owner)	10.77%	46,063,106	0.14	10.91%	46,653,600
Others	61.71%	263,935,759	(0.14)	61.57%	263,345,265
Total	100%	427,709,061	-	100%	427,709,061

* Data as at 16 February 2004
** Data as at 30 April 2004

On 20 June 2002 the Company was informed, that Kulczyk Holding S.A. and its affiliates, possessed 23,911,206 shares of PKN ORLEN, which constitutes 5.59% of total number of votes at the General Meeting of Shareholders.

On 4 July 2003 the Company was informed by Commercial Union Mutual Pension Fund BPH CU WBK, located in Warsaw, that Commercial Union Mutual Pension Fund BPH CU WBK possessed on 1 July 2003 21,533,539 shares of PKN ORLEN, which constitutes 5.04% of the total number of shares at the General Meeting of Shareholders.

Stake of the above shareholders (in %) in the share capital of the Company is consistent with proportion in the number of votes at the General Meeting of Shareholders as at the day of issue of this report.

VIII. CHANGES IN THE COMPANY SHARES POSSESSED BY THE MANAGEMENT BOARD AND BY THE SUPERVISORY BOARD, ACCORDING TO INFORMATION POSSESSED BY THE COMPANY

The Company shares possessed by the Management Board and by the Supervisory Board in I Q 2004:

	Number of shares as at the day of last quarterly report publication*	Acquired	Disposed	Increases due to changes in the Management Board	Decreases due to changes in the Management Board	Number of shares as at the day of publication of this report**
Management Board	-	-	-	-	-	-
Supervisory Board	-	-	-	407	-	407

* Data as at 16 February 2004
** Data as at 30 April 2004

IX. INFORMATION ON MATERIAL LEGAL ACTIONS AND OTHER RISKS CONCERNING THE COMPANY OR ITS DEPENDENT ENTITIES

1. On 15 November 2002, based on the act on restructuring of certain budget receivables from enterprises, Rafineria Trzebinia S.A, the Company's subsidiary, applied for the restructuring of budget receivables concerning excise duty and VAT for the period from June to December 1998. On 30 December 2002 fiscal authorities issued a decision on restructuring conditions of payables concerning VAT and excise duty of total value of PLN 35.3m, stating the restructuring charge in the amount of PLN 5.3m. The charge was paid in full in January 2003.

   As a result of the audit performed by the Tax Audit Office in Krakow, tax allowance for the months I-XII.1999, I-XII.2000 and I-XII.2001 on VAT concerning production of diesel fuel with component extracted from reprocessed used oil, was questioned. On 22 December 2003 the company received decisions of the Director of Tax Audit Office in Krakow, which stated the additional VAT liability together with penalties in the total amount of PLN 79.8m.

   As a result of the above decisions, the Management Board of Rafineria Trzebinia S.A. applied to the Tax Office in Chrzanow for partial remission of the liability based on a significant interest of the taxpayer and ambiguous regulations regarding the tax allowance on reprocessing of used oil. The application received a favourable opinion of the Tax Office Jury in Krakow. On 29 December 2003 Rafineria Trzebinia S.A. paid PLN 11.8m of overdue tax liability covered by the decisions of Tax Audit Office Director. On 31 December 2003 the Head of Tax Office in Chrzanow, after obtaining a positive opinion from Tax Office Jury in Krakow, issued a decision, in which the remaining liability of PLN 68m was cancelled. The remaining VAT liabilities were cancelled by the decision of the Head of Tax Office of Malopolska region dated 30 April 2004. Liabilities related to the excise tax resulting from the decision of the Head of Customs Office I were cancelled on 19 April 2004. The restructuring process of remaining tax liabilities of Rafineria Trzebinia S.A. for years 1999-2001 was completed by the decision of the Head of Tax Office in Chrzanow dated 12 March 2004. As at the date of these financial statements Rafineria Trzebinia S.A. had no overdue budget liabilities related to the excise tax or VAT.

2. In accordance with the Agreement signed on 20 December 2002, Tankpol Sp z o.o transferred to PKN ORLEN due to cession, 40% of shares held in ORLEN PetroTank Sp z o.o. in exchange for receivables from Tankpol Sp. z o.o. Final settlement of this transaction should be made after valuation of shares in ORLEN PetroTank Sp. z o.o. On 30 October 2003 a legal case was filed against PKN ORLEN as compensation for PLN 69,898 thousand or return of the ceded shares. On 26 January 2004 Tankpol Sp. z o.o. modified its claim for repayment of PLN 36,383 thousand or return of the ceded shares. Together with the claim, Tankpol Sp. z o.o. presented a new valuation of ORLEN PetroTank Sp. z o.o. amounting to PLN 232,147 thousand. On 22 January 2004 Tankpol Sp. z o.o. approached Company with a compromise offer, stating, that the claim will be revoked if PKN ORLEN pays PLN 32,745 thousand. On 18 February 2004 during the first hearing the court suspended the legal proceeding for the period of three months, in order to allow parties to reach a compromise. The above claim was not provided as in the Company's Management view, based on the independent legal opinion obtained, the final outcome of the above claim should not have a material impact on the presented financial results.

3. Due to the public information in relation to the Company's purchase transactions, the Supervisory Board has taken actions including requests to audit firms to perform specific test procedures, which were aimed at verifying the above information, including an analysis of the specified procurement transactions. The reports on these procedures have been presented to the Supervisory Board for further analyses. Simultaneously the Management Board filed notifications to the Public Prosecutor's Office regarding a suspicion of a commitment of crimes connected with:

   - disclosure of confidential information, included in auditors' reports,
   - violation of the Company's purchase procedures

   The final outcome of the above notifications is not known as at the date of the preparation of these financial statements. However, in the Management's opinion, there are no circumstances indicating that the above mentioned matters may materially impact the true and fair presentation of the accompanying consolidated and unconsolidated condensed financial statements for the 3 month period ended 31 March 2004.

4. On 20 May 2003, the Management Board of the Company submitted a put option execution declaration for all Niezalezny Operator Miedzystrefowy Sp. z o.o. (“NOM”) shares owned by PKN to Polskie Sieci Energetyczne S.A. (“PSE”). The “put” price equals to PLN 111,5m and is calculated as a sum of a par value of the shares sold and a cumulative investment premium calculated according to the Agreement dated 8 June 2000 regulating the cooperation between the NOM shareholders.

   On 20 October 2003, PSE filed a suit to the Court of Arbitration of the Polish Chamber of Commerce in Warsaw, regarding the determination of the validity of the shares sales agreement. Up to the date of preparation of these financial statements the legal proceedings in the Court of Arbitration were not commenced.

   In the opinion of the Management Board of the Company, based on independent legal analyses, the Company executed its put option and sold NOM shares to PSE. Consequently, the Company recognised on the transaction profit amounting to PLN 27,5m (difference between purchase price of the stakes and the sales price resulting from the put option). According to the Management Board the receivable of PLN 111,5m will be realised in full.

   The Court of Arbitration of the Polish Chamber of Commerce in Warsaw fixed the date of first hearing on 3 June 2004.

X. INFORMATION ON LEGAL ACTIONS CONCERNING THE COMPANY'S OR ITS DEPENDENT ENTITIES' LIABILITIES OR RECEIVABLES ACCOUNTING FOR 10% OR MORE OF THE COMPANY'S EQUITY

During the period from 1 January 2004 to 31 March 2004 the Company was not involved in any legal actions concerning the Company's or its dependent entities' liabilities or receivables accounting for 10% or more of the Company's equity.

XI. INFORMATION ON UNUSUAL TRANSACTIONS WITH RELATED ENTITIES

There were no unusual transactions with related entities in the Capital Group during the period from 1 January 2004 to 31 March 2004, where the value of the transaction would exceed EUR 500 thousand.

XII. INFORMATION ON GUARANTEES OF LOANS GRANTED BY COMPANY OR ITS SUBSIDIARIES TO OTHER ENTITIES, WHERE THE AMOUNT OF GUARANTEE ACCOUNTS FOR 10% OR MORE OF THE COMPANY'S EQUITY

During the period from 1 January 2004 to 31 March 2004, the Dominant Company and its subsidiaries did not grant any sureties of loans, guarantees to any other entities or their subsidiaries, where the amount of surety or guarantee would account for 10% or more of the Company's equity.

MANAGEMENT BOARD MEMBERS SIGNATURES

....
President – Zbigniew Wróbel

....
Vice President – Sławomir Golonka

....
Member of the Management Board
Krzysztof Kluzek

....
Vice President – Andrzej Macenowicz

....
Vice President – Jacek Strzelecki

....
Vice President – Janusz Wiśniewski

Plock, 11 May 2004